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C O N F I D E N T I A L SECTION 01 OF 03 TEL AVIV 005863

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SUBJECT: SHARON PUSHES BACK CONTENDERS, KEEPING PRIMARIES
AND ELECTIONS AT BAY

REF: TEL AVIV 5740

Classified By: Ambassador Richard H. Jones for reasons 1.4 (b,d).

1. (C) SUMMARY: Prime Minister Sharon's victory in the September 27 Likud Central Committee vote over early party primaries staunches for now the efforts of leadership contender Bibi Netanyahu and his anti-disengagement cohorts, allowing Sharon to move ahead with his political agenda -- and the possibility of both further movement on settlements/outposts and an eventual return to the roadmap. Sharon can now govern without serious challenge from within Likud until the long-scheduled primaries to be held in April, the Likud's mandatory six months before the November 2006 national elections. His Likud-Labor coalition will remain viable at least until the final 2006 budget vote, which must take place by March 31. At that time, Labor will face the choice of either continuing to support the only political leader capable of pursuing Labor's peace process agenda, or leaving the coalition over the budget as a means of establishing its own, non-Sharon-based platform in preparation for the fall elections. FM Shalom emerged as one of the big winners in the contest. We recommend that the Department use this opportunity of Sharon's continued post-disengagement governance and the prospect of further moves toward the Palestinians to press Arab states for meaningful gestures to Israel. END SUMMARY.

2. (C) Prime Minister Sharon's 1,433-1,329 win in the Central Committee, whose membership represents the more right-wing party elements, staved off early party primaries and dampened the leadership hopes of both leadership contender Binyamin Netanyahu and ultra-right winger Uzi Landau, both of whom have aggressively argued that Sharon has moved too far to the left to represent Likud. Close associates and supporters of Sharon characterize the Central Committee decision as a show of confidence in both Sharon's leadership and the political path he has chosen, as well as a determination to keep the party united. Sharon's win keeps him on course with breathing space to pursue his political agenda, whether further movement on settlements/outposts, less controversial "negotiated" agreements with the Palestinians, an eventual return to the roadmap, or some combination of those. Observers are covering the map with speculative scenarios, from Sharon proceeding on course, to splitting the party, to retiring. Long experience shows that, with his Central Committee win and a solid, for now, Likud-Labor coalition, Sharon is hardly likely to change the all-ahead-full course that has carried him -- and his agenda -- through four years and three governments.

WINNERS AND LOSERS -- AT LEAST FOR NOW

3. (C) Sharon associates have publicly called upon Sharon's Likud opponents to respect the vote and not seek to further challenge Sharon's leadership, directing these admonitions at the band of some 13-18 Likud MKs -- "rebels" -- who have consistently opposed disengagement and who sought to unseat Sharon in early primaries. Netanyahu stated publicly that he would respect the results, while at the same time accusing Sharon of using patronage to achieve his victory, and he pledged to continue his leadership challenge. Sharon could still face challenges from the right wing, buttressed by Likud's disaffected MKs, once the Knesset comes back into session in November, in the form of no-confidence motions, but given the divided opposition, they are no more likely to succeed than the score or more of such motions over the past year. This battle has generated both distinct winners and distinct losers, setting the landscape for the coming months, but, as the career of Ariel Sharon himself so clearly shows, political resurrection and political collapse are alternating companions of even the best Israeli politicians.

THE WINNERS

4. (C) Those in Likud who supported Sharon through his campaign against what pundits have referred to as Netanyahu's "putsch" attempt, will likely be rewarded by Sharon for their loyalty. They, and beneficiaries outside Likud, include:

-- Likud MK Silvan Shalom, Foreign Minister. Shalom's strong

speech to the Central Committee and effective lobbying against early primaries, combined with well-acknowledged ward-boss-style tactics such as funding taxis to transport committee members to the polling place, may have tipped the scales against early primaries (see para 5). Shalom Tourgeman of the PM's office told the Ambassador today that PM Shalom made the difference in 100 votes, implying that his stock with the PM has risen dramatically as a result.

-- Likud MK Tzachi Hanegbi, Minister-Without-Portfolio. As chairman of the Likud Central Committee, Hanegbi did his best, albeit unsuccessfully, to undermine the petition that brought the early primaries issue to a Central Committee vote and, as one pundit put it, "committed suicide" by associating himself with the possibility of Sharon forming a new party -- a threat that may have been instrumental in keeping the Central Committee from supporting early primaries. Tourgeman said that Hanegbi would be rewarded in part by being put in charge of the Strategic Dialogue with the USG.

-- Likud MK Ehud Olmert, Finance and Trade Minister. A Sharon stalwart and the original stalking horse for Sharon's concept of disengagement, Olmert played a crucial role in keeping Likud from embracing the right wing, levied the public criticism of early-primaries supporters that allowed statesman Sharon to at least partially avoid pre-vote verbal slugfests, and floated the threatening possibility of Sharon leaving Likud and forming a new party -- the "big bang" theory. Tourgeman reported that Olmert will now be given the finance portfolio in his own right, opening up the trade job for another Sharon loyalist not currently in the Cabinet, such as Likud MK Roni Bar'on or Deputy DefMin Ze'ev Boim.

-- Likud MK Avraham Hirschson, Tourism Minister. His strong public statements against early primaries helped sway undecideds.

-- Labor Party Ministers, particularly Vice Premier Shimon Peres. The Labor ministers and hangers-on, comfortable with their positions and perks, avoided the ideological pitfall, into which they could easily have fallen, of leaving the government over the budget and out of desire to establish a non-Sharon platform in advance of elections, ensuring for Sharon the ability to govern and disengage.

-- Palestinian Authority President Mahmoud Abbas, who can expect continuity with Sharon and the possibility of further unilateral gestures, progress along the roadmap, or both, but only if Abbas manages to maintain an environment free of terror activity.

The Losers

15. (C) Sharon associates have stated publicly that "no heads would roll," meaning Sharon will not fire those Likud ministers, such as Danny Naveh and Limor Livnat, who supported Netanyahu's call for early primaries. Nonetheless, the Sharon victory diminishes his opponents, both vis-a-vis Sharon, and in the competition to eventually succeed the 77-year-old party chairman. The Prime Minister is unlikely to forget or truly forgive those like Netanyahu, Sa'ar and Landau, whose attacks have been vicious, or those, like Livnat, who, while less vicious, deserted Sharon at the last minute. In the meantime, the budgets of their ministries will likely receive closer scrutiny. Among the biggest losers:

-- Likud MK Binyamin Netanyahu made himself a thorn in Sharon's side by his tactics within the Cabinet over disengagement, cut short his successful tenure as Finance Minister, resigning from the government on the eve of disengagement, and waged a vicious, unsuccessful bid to unseat Sharon months ahead of the regularly scheduled Likud primaries. His erratic stands throughout the months of debate over disengagement and his even more convoluted explanations of those stands and of his reasons for challenging Sharon, solidify in much of the public's minds his reputation as a self-serving and unreliable leader. Less than 24 hours after his Central Committee defeat, Netanyahu is facing public criticism from unnamed Likud Knesset members -- and, until yesterday, Netanyahu supporters -- who charge that "we cannot win with Bibi," and "if Bibi remains, Sharon will rule the Likud forever." Bibi is not finished yet. That reckoning will come only after the next Likud primaries, where some analysts argue that he may garner more support from the hard-core rank and file members who will not be voting, as the Central Committee members did, to preserve their individual "perks."

-- Likud MK Uzi Landau, a right-wing ideologue and Likud leadership aspirant, led the anti-disengagement, anti-Sharon faction of Likud from day one, wagering that Sharon no longer represents Likud, and lost.

-- Likud MK Gideon Sa'ar, coalition whip and former Cabinet secretary for Sharon, abandoned the Prime Minister, who many

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would say made from scratch Sa'ar's political career, and tied himself to Netanyahu's coattails. His shift smacks to some of betrayal, not only of his erstwhile mentor, but of his responsibilities as faction whip, and may have foiled his steady rise as an up-and-coming young Likud leader.

-- Likud MK and Education Minister Limor Livnat, was on-again, off-again over the past year of disengagement debates, feverishly sniffing the wind before every vote. With only 36 hours to go before the Central Committee vote, and no critical need to do anything but remain silent, she mis-judged the wind, coming out strongly in favor of Netanyahu's initiative, and prompting Sharon ally Olmert to comment: "the rats swam to the sinking ship."

-- Likud MK Danny Naveh, Health Minister. With his health budget already evoking the ridicule of Ehud Olmert, who called him Israel's "worst health minister," Naveh's support for Netanyahu is likely to send his political stock down even further.

-- Likud anti-disengagement foes, the so-called "rebels," tried for more than a year to use the right-leaning Central Committee as the lever by which to shift the -- overall -- more centrist Likud membership to the right, and away from disengagement. They now face a prime minister who can continue to call on the center and left to govern, despite their inevitable continuing machinations.

-- Settler leader and Likud Central Committee member Moshe Feiglin. Fringe rightist Feiglin and his supporters, failed in their attempt to dramatically shift Likud to the far right.

THE REALLY BIG WINNER

16. (C) Foreign Minister Shalom's heavy lifting in the Likud Central Committee proved crucial to PM Sharon's success in yesterday's Likud Central Committee vote. Over the past year, Shalom has evolved from an absolute foe of the PM's disengagement plan to become one of Sharon's most effective spokesmen and powerbrokers in the Likud party. He demonstrated once again on Sunday the political skills in the rough-and-tumble world of the Likud party that have made him a Central Committee and ward-politics force, delivering an impassioned speech in defense of the Prime Minister's position on a day when Sharon himself was silenced by a malfunctioning -- some say sabotaged -- sound system. Shalom sees himself as Sharon's successor, in competition with Netanyahu, who is about the same age. By supporting Sharon, he puts off for a bit longer the possibility that Netanyahu will succeed to the premiership and -- equally worrisome -- hold onto it, Shalom will remain an important Sharon ally as Israel heads towards primaries and parliamentary elections in 2006, all of which Shalom will use to enhance his competitiveness, vis-a-vis Netanyahu, to eventually lead the party.

17. (C) COMMENT AND RECOMMENDATION: In his Foreign Ministry hat, Shalom has evolved from awkward sloganeer to a more adroit champion of Israel's place in the Middle East, and the need for Arab and Muslim states to establish contacts -- and, ultimately, diplomatic relations -- with Israel. We recommend that the Department consider steps to bolster Shalom's diplomatic outreach efforts, which have led to some successes in the broader Muslim world (e.g., Pakistan, Indonesia), but only tepid reaction from Arab states that had developed ties with Israel before the second Intifada (e.g., Tunisia, Morocco, Qatar, UAE, Oman, and Bahrain). These mainly Maghreb and Gulf states have reacted cautiously and generally quietly to PM Sharon's disengagement policy and FM Shalom's overtures -- with letters and private phone calls rather than public statements or visits. These Arab states should be encouraged to attend the tenth anniversary of the Rabin assassination in November or to consider other opportunities to re-engage publicly in a dialogue with Israel. At the very least, they should take less negative stances towards Israel in the debates in the UN and other international bodies such as the International Red Cross and Red Crescent Movement.

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